

Message Text

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ACTION EUR-10

INFO OCT-01 EA-07 ISO-00 FEA-01 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 DODE-00 EB-03 FPC-01 H-01 INR-10

INT-01 L-02 NSAE-00 NSC-07 OMB-01 PM-03 RSC-01 SAM-01

SCI-03 SP-02 SS-14 STR-01 TRSE-00 FRB-01 AGR-03 XMB-01

SAJ-01 PA-01 USIA-04 PRS-01 DRC-01 /095 W

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R 100713Z OCT 74

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 3277

INFO USDOC WASHDC

AMEMBASSY TOKYO

C O N F I D E N T I A L MOSCOW 15300

USDOC FOR BEWT/HEISS

E.O. 11652: GDS

TAGS: ETRD, ENRG, EFIN, UR, JA

SUBJ: STATUS OF PENDINGS SOVIET-JAPANESE PROJECTS

1. DURING OCTOBER 9 CALL BY COMMATT AND COMMOFF, JAPANESE
COMMERCIAL COUNSELOR MOTOYUKI MIYANO GAVE FOLLOWING RUN-DOWN
ON PENDING SOVIET-JAPANESE PROJECTS INVOLVING SIBERIAN DEVELOPMENT:

A) SAKHALIN OFFSHORE OIL - JAPANESE DELEGATION ARRIVED IN
MOSOCW OCTOBER 8 AND EXPECTS REACH "GENERAL AGREEMENT" ON THIS
PROJECT BY CLOSE OF TALKS, WHICH EXPECTED LAST TWO WEEKS. MIYANO
SAID GULF OIL WAS NOT REPRESENTED ON THIS DELEGATION BUT ADDED
THAT JAPANESE SIDE CONTINUED HOPE GULF WOULD PARTICIPATE, IN
ONE FORM OR ANOTHER;

B) PULP/PAPER COMPLEX - PRESIDENT OF OJI PAPER, JAPAN'S
LARGEST PULP/PAPER PRODUCER, ARRIVED IN MOSCOW OCTOBER 8 FOR
INITIAL ROUND OF TALKS WITH SOVIETS ON PULP/PAPER PROJECT IN
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EASTERN SIBERIA. (MIYANO WAS NOT SURE OF PROPOSED LOCATION BUT BELIEVED

IT WAS ON YENESEI RIVER.) IN REPLY TO COMMATT'S QUERY AS TO POSSIBILITY OF US-JAPANESE COOPERATION ON THIS PORJECT, IN VIEW FACT THAT SEVERAL U.S. PULP/PAPAR COMPANIES HAVE EXPRESSED INTEREST IN SUCH PROJECTS, MIYANO MADE IT CLEAR THAT JAPANESE PLANNING GO IT ALONE IN THIS ONE.

2. COMMATT ASKED WHETHER JAPANESE FIRMS WERE INTERESTED IN SUPPLYING EQUIPMENT FOR CONSTRUCTION AND/OR OPERATION OF BAIKAL-AMUR RAILROAD (BAM). MIYANO SAID JAPANESE NOT INTERESTED IN PARTICIPATION IN THIS PROJECT AND THAT, FURTHERMORE, DECISION HAD BEEN MADE, ON STRICTLY POLITICAL GROUNDS, NOT TO BUY ANY SOVIET OIL SHIPPED EAST ON BAM. COMMATT ASKED WHETHER THIS DECISION HAD BEEN TRANSMITTED TO SOVIETS AND, IF SO, WHAT THEIR REACTION HAD BEEN. MIYANO SAID JAPANESE HAD INFORMED SOVIETS OF THEIR DECISION AND OF RATIONALE. SOVIETS HAD PROFESSED NOT TO UNDERSTAND JAPANESE REASONING, HE SAID.

3. COMMATT NOTED THAT WESTERN COUNTRIES CURRENTLY ENGAGED IN MUTUALLY HARMFUL COMPETITION IN PROVIDING EXPORT CREDITS TO SOVIETS AND SUGGESTED THAT CONDITIONS SHOULD BE HARMONIZED AT HIGHER INTEREST RATES THAN CURRENTLY CHARGED BY MOST WESTERN COUNTRIES. MIYANO'S REACTION TO THIS LINE OF ARGUMENT WAS NOT RECEPTIVE. HE POINTED OUT GREAT NEED OF JAPANESE ECONOMY FOR RAW MATERIALS WHICH CAN BE OBTAINED FROM SIBERIAN DEVELOPMENT PROJECTS. IN DEFENSE OF CURRENT JAPANESE EX-IM BANK POLICY (I.E. 6.25 PCT MONEY), MIYANO POINTED OUT THAT JAPANESE WERE INSISTING ON LOWER, "NON-COMMERCIAL" PRICES FOR SOVIET RAW MATERIALS FURNISHED IN REPAYMENT OF THESE CREDITS. THESE LOWER PRICES WOULD, HE SUGGESTED, COVER ELEMENT OF SUBISIIZATION IN LOWER INTEREST RATES. ON RELATED SUBJECT, MIYANO OBSERVED THAT JAPANESE EX-IM BANK HAD REQUESTED SOVIET PERMISSION TO OPEN OFFICE IN MOSCOW BUT THAT SOVIETS HAVE TO DATE DECLINED APPROVE APPLICATION. ONLY OTHER JAPANESE BANK TO APPLY FOR ACCREDITED OFFICE WAS TOKYO BANK, WHILE OTHER MAJOR JAPANESE BANKS WERE NOT CURRENTLY INTERESTED IN OPENING MOSCOW OFFICE.

STOESSEL

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